

TRADE UNION RESPONSES TO GLOBALIZATION

A review by the Global Union Research Network

Edited by Verena Schmidt

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GLOBAL UNION RESEARCH NETWORK

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SOCIAL PARTNERSHIP AT THE GLOBAL LEVEL: BUILDING AND WOOD WORKERS' INTERNATIONAL EXPERIENCES WITH INTERNATIONAL FRAMEWORK AGREEMENTS 2

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Sustainable, safe and secure jobs are the primary issue for workers. The Building and Wood Workers' International (BWI) industrial relations strategy is to promote long-term sustainable industrial development that includes social, economic and environmental dimensions. To strengthen national industrial relations, the BWI and its affiliates continue to promote social dialogue with multinational companies and employers' organizations. The strategy of BWI makes reference to a worldwide discussion on globalization and sustainable development, because the effects of globalization have heightened the awareness of society about the products they buy and use. Society has become more concerned about conditions of work, the use of child labour, moving manufacturing plants to sources of cheaper labour, exploitation, the environment and sustainable development. Multinational enterprises and governments are starting to heed public opinion and demands. Multinationals are developing internal codes of conduct and signing up to global CSR instruments such as the UN Global Compact and the guidelines of the Global Reporting Initiative (GRI).² Other global instruments for measuring the performance of MNEs are the *ILO Tripartite Declaration concerning Multinational Enterprises and Social Policy* and the *OECD Guidelines for Multinational Enterprises* as described in the previous chapter by Eberhard Schmidt.

¹ At its World Congress in Buenos Aires, on 9 December 2005, the International Federation of Building and Wood Workers (IFBWW) and the World Federation of Building and Wood Workers (WFBW) created a new global union federation, the BWI. It is the leading GUF for the protection of workers in the building, building materials, wood, forestry and allied industries. It brings together some 12 million members of 350 trade unions in 125 countries. The BWI's mission is to promote the development of trade unions in the building and wood industries throughout the world and to promote and enforce workers' rights in a context of sustainable development. Further information is available on its website (www.bwint.org).

² The GRI was established in 1997 to develop, at a worldwide level, a common set of reporting standards for use by companies in the preparation of their "social responsibility" and "sustainability" reports. International trade union organizations have become involved with the GRI in order to influence what is considered important.

As part of MNEs' business strategies, based in large part on outsourcing and subcontracting, they have adopted codes of conduct which apply to the labour practices of their suppliers and subcontractors. The GUFs, including the BWI, have abandoned the expression "code of conduct" in favour of "International Framework Agreement" (IFA). The reason is that the former expression is often used for unilateral initiatives by management, without any reference to ILO Conventions, and is therefore frequently of questionable value for labour. Many of these "codes" are instruments for PR or marketing purposes. These "supplier codes" were a response to negative publicity related to exploitation and abusive labour practices in the production of famous brand-name goods. Such codes became a means of "risk management" for brand reputations. Codes and management systems addressing other reputation risks, such as possible bribery and corruption scandals, were also developed. Risk management became one of the strongest motivations for MNEs to sign IFAs with GUFs, which have a worldwide network of member organizations. The value added for MNEs is that trade unions are able to discover serious workplace problems (not being solved locally) at an early stage and take action before they become an issue for the media and the company's brand is damaged. In this way, companies use workers and their trade unions as an early warning system, through which they receive "in house" information on bad management practices, corruption and bribery in subsidiaries or in the supply chain.

Multinational companies signing IFAs with GUFs commit themselves to respect workers' rights, on the basis of the core Conventions of the ILO. In addition, the company should also agree to provide decent wages and working conditions, as well as a safe and healthy working environment. In many cases, agreements include a grievance handling procedure and/or a monitoring system, and they also cover suppliers and subcontractors. International Framework Agreements are sometimes regarded as negotiated codes of conduct with built-in grievance handling. However, this is not a useful way of looking at these agreements, which are *qualitatively* different from codes of conduct. International Framework Agreements constitute a formal recognition of social partnership at the global level. They are intended to complement and not substitute agreements at the national or local level.

The BWI has signed a number of IFAs – with Ballast Nedam, Faber-Castell, Hochtief, IKEA, Impregilo, Lafarge, the Royal BAM Group, Schwan-Stabilo, Skanska, Staedtler and Veidekke. They provide for the active involvement of BWI affiliates in the MNEs' country of origin and countries of operation in the initiation, implementation and monitoring of the agreements. In principle, the employers who sign these agreements are demonstrating that they are serious and fair, and that they favour good industrial relations at the workplace, feel

Table 2.1 International Framework Agreements concluded between TNCs and BWI

Company	Employees	Country	Sector	GUF	Year
IKEA*		Sweden	Furniture	IFBWW	1998
Faber-Castell	6 000	Germany	Writing instruments	IFBWW	1999
Hochtief	37 000	Germany	Construction	IFBWW	2000
Skanska	79 000	Sweden	Construction	IFBWW	2001
Ballast Nedam	7 800	Netherlands	Construction	IFBWW	2002
Impregilo	13 000	Italy	Construction	IFBWW	2004
Veidekke	5 000	Norway	Construction	IFBWW	2005
Schwan-Stabilo	3 000	Germany	Writing instruments	IFBWW	2005
Lafarge	77 000	France	Building materials	IFBWW/ICEM/ WFBW	2005
Royal BAM Group	27 000	Netherlands	Construction	BWI	2006
Staedtler	3 000	Germany	Writing instruments	BWI	2006
Royal Volker Wessels Stevin NV	16 700	Netherlands	Construction	BWI	2007

* The IFA with IKEA covers suppliers in the wood chain and the Swedwood group, with a total of several hundred thousand employees.

responsible for the whole supply chain in their company and are open-minded about trade union activities. However, it has to be realized that without vigilance from consumers, unions and other groups, companies are not likely to move forward very fast with a CSR process. It also has to be recognized that achieving real improvements in a company's CSR profile does take time and can be costly. Companies have to live up to their commitments, but so should governments and this is a serious problem in many countries.

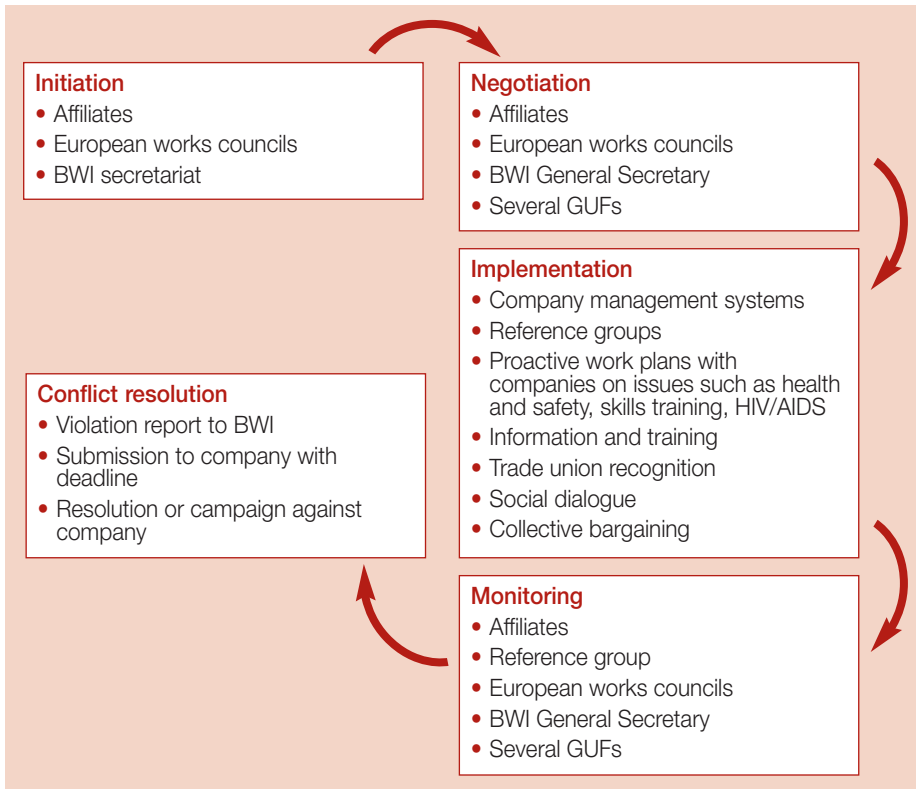
With the development of an IFA, the BWI is becoming more relevant not only to developing countries but also to developed countries. International solidarity, for vast numbers of unions in developed countries, is seen primarily as political or moral support to unions in developing countries. Globalization has changed the landscape of industrial relations, with more and more workers being employed directly or indirectly by MNEs. The BWI is evolving not only as an organization for delivering solidarity but also as one that is directly involved in industrial relations at the global level.

Practical approaches to company agreements – the process

Initiation and negotiation

In general, discussions about possible agreements are initiated by BWI affiliates in an MNE's country of origin. Sometimes, initiatives are taken by European works councils (e.g. within Skanska) or through other forms of cooperation on, for example, sustainable development. This was the case with the French building materials company Lafarge, which invited the BWI to be represented on their Stakeholder Panel on Sustainable Development before signing the IFA. Together with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and the Christian World Federation of Building and Wood Workers (WFBW), the BWI negotiated and signed the IFA with Lafarge on 12 September 2005. This is a new approach, reflecting multi-unionism in certain countries, with unions affiliated to different GUFs, and new forms of cooperation such as that with the WFBW.

Figure 2.1 The process of setting up an IFA



The BWI has developed a model framework agreement as a minimum-level basis for negotiations. This commits the mother company, the supply chain and subcontractors to compliance with ILO core Conventions, but also to decent working conditions, health and safety, HIV/AIDS prevention, housing and employment relationships, with a process of monitoring and follow-up put in place.

Before reaching an agreement with a company, there are normally intensive contacts and discussions about the content of the ILO Conventions and the commitments into which the company would be entering. However, these meetings contribute to mutual understanding and trust and it sometimes takes up to two years before the agreement is signed. But this is an important investment for good implementation of the agreement. The agreement is signed by the BWI General Secretary, as the contractual partner on behalf of the BWI, and has to be endorsed by the BWI Management Committee.

Implementation and monitoring

Once an IFA has been signed, the company has to ensure that a management system is in place which guarantees implementation. However, the most important part of the implementation process is that the agreement should be given meaning and life through appropriate information and education campaigns. These must ensure that the workers affected by the agreement are aware of its existence and the meaning of its content. As part of the agreement, the BWI partner company has to inform its subsidiaries, suppliers or contractors about its content. The BWI, for its part, conducted a series of seminars and information campaigns for its members. However, the BWI discovered, through a survey carried out with its affiliates, that little information is available at workplaces and within trade unions around the world. This is one area of possible cooperation between the BWI and the MNEs. Both parties can develop a joint information and education programme, targeting a number of countries every year.

In practice, the implementation of IFAs is not as easy as companies would wish. In particular, they have serious difficulties in applying them to suppliers and subcontractors and there are many reasons for this. Often, the enforcement of certain standards will depend on the volume of a company's purchases from a supplier. Another difficulty is that, after a merger or takeover of a company in a country with a bad industrial relations record, management and sometimes also trade union attitudes and cultures take time to shift towards acceptance of a cooperative social dialogue. The BWI's experience is that companies are interested in safety, health and the environment, areas on which they are vulnerable and sensitive to any bad publicity. In the BWI Global Health and Safety Programme,

a few initiatives with Skanska, IKEA and, most recently, Lafarge and the cement sector have been started on practical work for the prevention of injuries and ill health. In these areas, we can demonstrate the positive impact that organized workers with trade union safety representatives can have, in particular through joint management–union safety committees in the workplace.

The real challenge for strategies built around IFAs is largely one of monitoring and verification. The BWI sees the work of the reference or monitoring group, which is normally made up of BWI and management representatives, as that of exchanging and developing views on the management system and defined standards, and on their compliance or non-compliance with the agreement. In some cases, the BWI and its partner companies pay visits to suppliers' countries in order to have some reference points regarding the level of standards and implementation.

Responsibility for the monitoring of company performance lies primarily with auditing and accounting companies, providing certification on a commercial basis. There are many problems with this process, such as the auditors' ignorance about labour rights issues or the realities of working conditions; the extraordinary scale of subcontracting chains, which would require an army of auditors to verify compliance with the standard; and the marginalization of trade unions in the representation of workers' interests. Some IFAs which have been concluded between BWI and a TNC are verified by internal monitoring groups composed of union and company representatives, and by the unions nationally and locally. Currently, only a handful of unions are active in using the IFAs. Also, monitoring is expensive and time-consuming to organize for both trade unions and companies, depending on the complexity of the company concerned.

Trade unionists need to be careful about “monitoring”, “independent monitoring” and “verification” of IFAs. The word “monitoring” implies a continuous presence of the kind that companies and their auditing companies cannot perform. For example, many of the ways in which workers can be intimidated, discouraged or prevented from joining or forming trade unions are difficult to detect. The only real test that workers' freedom of association or the right to collective bargaining are respected is the existence of a functioning trade union representation and a collective agreement. The BWI believes that the only real system of “independent monitoring” of workplaces is by the workers themselves through their trade unions. In this process the BWI secretariat is totally dependent on action by affiliates in countries of operation in reporting cases and by affiliates in the country of origin taking action and discussing with the head office of the MNE. Once the BWI secretariat receives information from the affiliate – in some cases by other groups such as the Dutch labour NGO SOMO (Centre for Research on Multinational Corporations) – the secretariat submits the case to the company and asks for corrective action. If there is no response

from the company or the company is not able to resolve the conflict, the BWI launches a global campaign to put pressure on the company.

How to use IFAs

The purpose of IFAs is to assist affiliates to gain recognition as unions and to start a social dialogue at the company and national level with companies, suppliers and subcontractors of BWI partner companies. This should lead to collective bargaining and finally to improved working conditions and better wages. However, the success of any IFA will depend on the strength of the unions at national level and at company level; full implementation of these agreements is only possible when workers are organized in free trade unions and are able to bargain collectively at national and enterprise level. Effective implementation of agreements should be seen as an ongoing and long-term process. Also important is the extent to which these opportunities are used to advance trade union work.

Currently, only a handful of unions are active in using IFAs and many are unaware of their purpose or even of their existence. The reasons for this may vary, but the most important is, of course, a lack of knowledge. Therefore, intensive training is required. There are also unions that are sceptical about the use of voluntary agreements as compared with legislative measures for companies. For negotiations about an IFA to be initiated there needs to be established social dialogue and good industrial relations in the country of origin of the MNE. In many countries, these conditions do not exist and therefore there is a certain scepticism about using the agreements.

Some affiliates have made breakthroughs in the use of these agreements. The Polish affiliates were able to organize 12 Swedwood companies, which are owned by IKEA. The Malaysian timber union also organized two IKEA suppliers. North American affiliates have been using these agreements with Skanska and Hochtief to establish unions at construction sites. Workers' representatives were elected in Faber-Castell factories in Malaysia and China. These are encouraging developments, but still far from what needs to be done. The BWI surveys among affiliates show that many of them do not know the companies covered by the agreements in their countries. Thus, organizing would be very difficult. Affiliates need to improve their organizing capacity.

Experiences with a partner company (IKEA)

The Swedish furniture company IKEA and BWI signed an agreement on the promotion of workers' rights at IKEA wood suppliers in May 1998. This process was initiated by the Nordic Federation of Building and Wood

Workers (NFBWW) and the Swedish Wood Workers' Union (now the Forestry and Wood Workers' Union). IKEA then developed its own code of conduct for its suppliers. A revision of the old IKEA/BWI agreement for wood suppliers was carried out in December 2001 to include references to this new company code of conduct, *The IKEA way on purchasing home furnishing products*, IWAY. IKEA established a compliance organization at IKEA International for the auditing of IKEA suppliers, reporting directly to Anders Dahlvig (CEO). The compliance group carried out workshops with the most important IKEA trading offices. IKEA is implementing an action plan for improving conditions at suppliers, according to the demands set out in the new code of conduct. IKEA states that its own staff at 43 trading offices around the world work closely with suppliers to implement the "IWAY" and to correct violations. Some 80 trained auditors carry out audits and establish action plans based on non-compliance. The auditors play an active part in the corrective measures taken by the suppliers. Numerous re-audits follow each action plan. According to IKEA, more than 20,000 corrective measures have taken place at IKEA's 1,600 suppliers in 55 countries and more than 50,000 corrective measures are in progress. IKEA also uses third-party auditing companies to carry out audits of suppliers and to verify working methods and results.

A year after the revised agreement was signed, IKEA prepared a new set of "IWAY" documents and requirements for their suppliers of home furnishing products, which came into force on 1 February 2003. The work of the monitoring or reference group – consisting of Kjell Dahlstrom, President of the Swedish Forestry and Wood Workers' Union, as representative of the NFBWW and Marion F. Hellmann from the BWI Secretariat, and of IKEA representatives – was not to monitor working conditions or measure the dust and noise level in different supplier companies and countries. It was rather to assist the development of IKEA standards and management systems for ensuring the implementation of internationally accepted labour standards and to develop good industrial relations between the suppliers and the BWI member unions. The monitoring group paid visits to suppliers in China, Hungary, the Lao People's Democratic Republic, Malaysia, Poland, Romania, Slovakia and Thailand.

Since 1998, the BWI has received complaints on violations of the "IWAY" from affiliates in Thailand, Malaysia, the United Kingdom, the United States, Canada and the Netherlands. Most of the complaints make reference to ILO Convention Nos 87 and 98, on the right to organize and collective bargaining, which are not respected by IKEA suppliers. The complaints have been followed up by the IKEA management.

The Dutch trade union confederation, FNV, undertook research on IKEA in order to obtain a general picture of the company. The FNV is of the

opinion that IKEA provides very little public information and lacks transparency about the implementation of the “IWAY” standards, to what extent they are put into practice, and how compliance is monitored. The study concludes: “The case studies in India, Bulgaria and Vietnam, although showing a different situation, make it clear that there are still numerous violations of IKEA’s code of conduct in all three countries in all factories researched.” IKEA, the FNV, SOMO and the GUFs BWI and International Textile, Garment and Leather Workers’ Federation (ITGLWF) met on 27 August 2003 to discuss the findings of the report. IKEA stated that the results of the research came as no surprise to them, as a result of IKEA’s own audit system, and that these problems are not specific to IKEA suppliers or any particular industry. Some issues will take time to solve, because they require fundamental changes to society in certain countries. The unions expressed their appreciation for IKEA’s efforts to improve working conditions at suppliers so far, but also pointed to the fact that IKEA’s system is not transparent enough and that trade unions must be more involved in monitoring and verification at the workplaces.

The IKEA/BWI reference group meets regularly, at least twice a year, to exchange experiences on working conditions and social responsibility. The joint work programme covers the following issues:

- IKEA invited the BWI to assist in the improvement of working conditions for Chinese workers in their suppliers located throughout China (see box 2.1). This is within a current project on overtime reduction and increasing productivity carried out by the British consultancy Impact.
- IKEA invited BWI affiliates in Malaysia, Indonesia, Bulgaria and Romania to participate in a compliance audit in each country, so as to gain knowledge and understanding of the “IWAY” process and procedures. IKEA is continuing to develop its present auditing procedures in a dialogue with BWI.
- IKEA will become more transparent about auditing procedures and results. In 2004, IKEA published its first Social and Environmental Report, for 2003, and the reports for 2004, 2005 and 2006 have also been published. However, IKEA will not disclose general supplier information, e.g. supplier lists, for legal and competition reasons.

A good example of working together with IKEA within the framework of our agreement is the situation in Poland. Swedwood, IKEA-owned companies and the Polish and Swedish BWI member organizations started a social dialogue project in 2002 with the objective of establishing sound industrial relations and trade union representation at the company level in Poland. The unions report

Box 2.1 Monitoring the IFA between BWI and IKEA in China

The IKEA Group and the BWI paid a visit to Beijing in late March 2003. This initiative was taken following the results from code of conduct audits of IKEA suppliers in China. The IKEA Group introduced its code of conduct, *The IKEA way of purchasing home furnishing products, IWAY*, on 1 September 2000 and since then extensive development and auditing of all IKEA suppliers have taken place, including in China.

The audits performed by the five IKEA trading offices and the IKEA compliance team in cooperation with third parties identified specific difficult issues, such as a reduction in working time and an insurance plan for all employees, where special efforts were needed to make improvements in China. Specific areas, such as excessive working hours, lack of overtime compensation and poor handling of hazardous waste, were also among those addressed during the visit. Meetings were held with the Beijing Municipal Labour and Social Bureau, the China Enterprise Confederation, the Chinese Association of Environmental Protection Industry and the All-China Federation of Trade Unions to address the issues and discuss different views of the problems. The outcome of the meetings and visits was a better common understanding of the laws, practices and problems and some creative ideas on how to establish good practice involving all the important stakeholders. IKEA started a project at five suppliers in South China with the aim of reducing working hours and increasing productivity without reduction of wages. The BWI also attended an "IWAY" audit in China. The "IWAY" audits showed that the number of non-compliances decreased significantly during 2004. However, suppliers still need to deal with issues such as a further reduction of working time and an insurance plan for all employees.

that almost all Swedwood factories have been unionized in the meantime. The Polish unions very much welcomed this management/trade union approach because the unions are able to organize workers and start collective bargaining and are part of a sound industrial relations system.

Where do we go from here?

Before embarking on further new agreements, BWI affiliates are being invited to develop recommendations on how to effectively push forward and improve the implementation of these agreements. The following points summarize the outlook for future developments:

- Our *strength* is that we already have a global network of affiliates representing about 12 million members present in workplaces, including those where MNEs are operating.
- Our *weakness* is a lack of trade union strength in the building, wood and forestry sectors in many countries where many MNEs are operating. Informal work is common in these sectors, especially in developing countries, but illegal use of labour is also increasing in industrialized countries.
- There are *opportunities* to use the global agreements as a platform for a better social dialogue and for organizing efforts. This is our continuing strategy. However, BWI and its affiliates must continue to push the MNEs to implement these agreements and create more space for trade union involvement. In countries where labour legislation is weak, it is difficult for trade unions to work effectively and the informal economy dominates. So moving towards a stable labour market with representative social partners is a long process. Similarly, unions working in industries with substantial production in highly repressive countries, which do not respect workers' rights, have to recognize that the possibilities of strong and independent trade unions emerging in the short term are very slim. By establishing IFAs with companies investing in production in such circumstances, at least workers might be able to escape some of the more extreme denials of their rights, and some space might be created for trade union development.
- Among the *risks* involved is the possibility that companies may not make serious internal changes, but may use the agreement as a whitewashing tool, while the unions are accused of covering up for bad company practices.
- There is an urgent need for more and better involvement of affiliated trade unions, and they should take on more responsibility. This will require a training programme to assist unions to take up the challenge of recruiting and organizing in these companies. If activity is restricted to the work of the secretariat and staff alone, we will not be capable of handling the necessary organization for more than a handful of international company agreements.
- Substantially improved communication and global networking will also be needed.
- Another area that the BWI can explore with the MNEs is piloting implementation. The BWI and MNEs can identify countries where they can develop joint monitoring mechanisms, information and education programmes.

Trade union responses to globalization

- Cooperation with the ILO is needed for training on the labour standards that workers and their unions are well-placed to monitor within workplaces.

In recent years BWI has served as a leading GUF in negotiating and implementing IFAs. While acknowledging that innovative IFAs have been developed by the BWI, delegates to the BWI World Congress in Buenos Aires in December 2005 commented that it was now time to reflect on past experiences with these endeavours. In November 2006 BWI started consultations for such a review. In autumn 2007 the BWI decision-making bodies will decide on the future direction of its policy on IFAs.

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